

LCB File No. R197-05

**PROPOSED REGULATION OF THE
NEVADA TAX COMMISSION**

Explanation – Matter in *italics* is new; matter in brackets ~~omitted material~~ is material to be omitted.

AUTHORITY: NRS 360.090, 372.060 and 372.725.

Section 1. NAC 372.380 is hereby amended as provided in Section 2 of this regulation.

Sec. 2. NAC 372.380 “Producing,” “fabricating,” and “processing” defined for NRS 372.060; separation of charges for labor from charges for tangible personal property required. (NRS 360.090, 372.060, 372.725)

1. As used in section 5 of chapter 397, Statutes of Nevada 1955, (NRS 372.060), “producing,” “fabricating,” and “processing”:

(a) Include any operation which results in the creation or production of tangible personal property or which is a step in a process or series of operations resulting in the creation or production of tangible personal property.

(b) Do not include any operation which constitutes merely the repair or reconditioning of tangible personal property to refit it for the use for which it was originally produced.

(c) *Do not include any operation which constitutes merely the application or installation of tangible personal property.*

2. As an example of the application of subsection (a) of section 1, if a picture framer designs a picture frame to the order or specification of a retail consumer, and then cuts and joins the glass, matte, border and backing in order to assemble the picture frame, each of the acts of designing, cutting, joining and assembling is to be considered a step in the process of producing or fabricating tangible personal property. Under these circumstances, a charge for the design, cutting, joining or assembly is subject to taxation regardless of whether the charge is stated separately from any charge for materials.

3. As an example of the application of subsection (c) of section 1, if a picture framer attaches or affixes a picture or photograph to or within a picture frame that he has produced or fabricated, the mere act of attaching or affixing that picture or photograph is not to be considered a step in the process of producing or fabricating tangible personal property. Under these circumstances, a charge for the act of attaching or affixing the picture or photograph is not subject to taxation if the charge is stated separately on the invoice.

~~[2.]~~ 4. Charges for ~~tangible personal property and~~ the labor required for *the* installation or application of *tangible personal property* are subject to the sales tax if not ~~must be~~ stated separately on the invoice *from charges for the tangible personal property and any production, fabrication or processing thereof.* ~~[The tax is only applicable to the portion of the invoice that represents tangible personal property.]~~